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Czech Republic

Product Brief

Bourbon and Whisky

2002

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Report Highlights: The consumption of spirits is stagnating and is set to decline in the Czech Republic. One reason for this is that more people are switching to wine. Strict drunk driving laws may also play a role in declining alcohol consumption. Nevertheless, increasing incomes and changing tastes should result in solid demand for higher quality spirits and U.S. bourbon imports are rising. The U.S. share of total spirits imports was almost 13% last year.

On the taxation front, wine is relatively less expensive than spirits because wine does not carry an excise tax. After joining the European Union (which should happen in the next few years) the Czech government will apply excise taxes to both wine and spirits.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], EZ

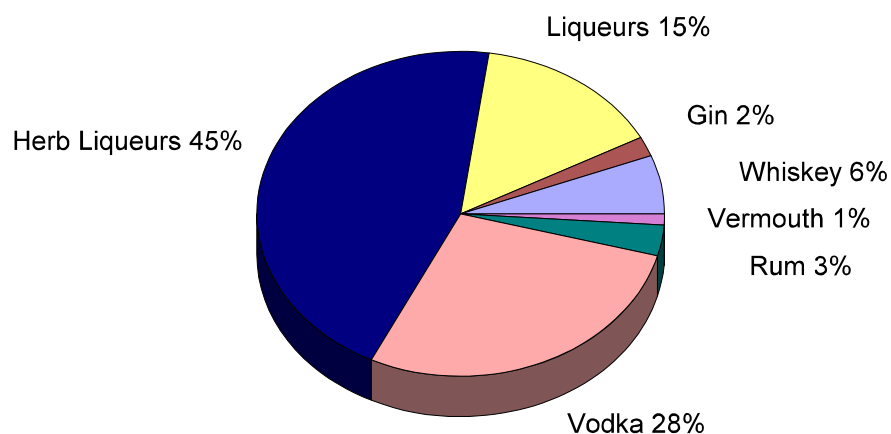
SECTION I: MARKET OVERVIEW

The Czech market for spirits is about 90 million liters, which is over 8 liter per capita. However, the spirits market is stagnating or even declining. About 80% of the spirits consumed are domestically produced. Premium brands account for 20% of consumption of premium (sold mainly in bars, restaurants). The remaining 80% are cheaper brands that are sold in both hotels, restaurants and institutions (HRI) and the retail food sectors. About two thirds of all whiskey consumed is U.S. or Canadian bourbon and about one third is Scotch whiskey. The Czech Republic produces a unique herb liqueur, “Becherovka”, which is also famous and popular abroad. Other popular spirits include rum, fernet (bitter liqueur), and slivovice (fruit liqueur).

ADVANTAGES AND CHALLENGES IN THE CZECH MARKET

Advantages	Challenges																
stronger local currency (the Crown (CZK)) makes imports cheaper	more people driving cars has a negative impact on the consumption of spirits																
consumption of U.S. bourbon is on the rise compared to non U.S. whiskey	no excise tax on wine, unlike in the EU, which makes wine relatively cheaper																
<p style="text-align: center;">Sales in 1,000 liters in 2001</p> <table border="1"> <thead> <tr> <th>Spirit</th> <th>Sales (1,000 liters)</th> </tr> </thead> <tbody> <tr> <td>Whiskey</td> <td>1607</td> </tr> <tr> <td>Gin</td> <td>469</td> </tr> <tr> <td>Liqueurs</td> <td>3731</td> </tr> <tr> <td>Herb Liqueurs</td> <td>11480</td> </tr> <tr> <td>Vodka</td> <td>7089</td> </tr> <tr> <td>Rum</td> <td>891</td> </tr> <tr> <td>Vermouth</td> <td>377</td> </tr> </tbody> </table>		Spirit	Sales (1,000 liters)	Whiskey	1607	Gin	469	Liqueurs	3731	Herb Liqueurs	11480	Vodka	7089	Rum	891	Vermouth	377
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more bars and restaurants are opening	large number of cheaper domestic brands																

Sales of spirits in %



Estimated Sales of individual brands in 2001 (1,000 liters):

Scotch whiskey:

Ballantine's	120
Johnie Walker RL	123
William Grants	53

Bourbon:

Seagram 7 Crown	116
Jim Beam	74
Jack Daniels	48

Canadian whiskey:

Canadian Special Old	69
Black Velvet	20
Canadian Club	1

Irish whiskey:

Jameson	40
Tullamore Dew	20
Bushmills	5

"Look-like" whiskey:

Kentucky Jack	212
Peter Scot	171
Tennessee Gold	65

Gin:

Dynybyl (Czech)	162
Beefeater	89
Gordons	19
Seagram	13

Liqueurs:

KB liqueur (Czech)	760
Starorezna liqueur (Czech)	744
Hobe liqueur (Czech)	459
Bailey's	73

Herb Liqueurs:

Fernet Stock (Czech)	4653
Fernet Stock Citrus	3112
Becherovka (Czech)	2162

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS**Entry Strategy**

- brandy and bourbon are imported by several importers who then distribute the products throughout the country
- upon request FAS Prague will send a list of importers to an interested U.S. exporter (please see the contact information provided below)

Market Size, Structure, Trends

- about 80% of premium brands are consumed in bars, hotels and restaurants (HRI sector)
- 20% of premium brands are sold in the retail food sector
- the low-end brands are distributed equally in HRI and retail sectors (50%/50%)
- the size of the "black market" of illegal (not taxed) and phoney (look like) spirits is estimated for 10 - 15% of total consumption
- importers and distributors of premium brands may also have to deal with parallel imports through duty free shops, which may have a negative impact on prices for a particular brand

Import Statistics

Import of 2008 HTS item (undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits liqueurs and other spirituous beverages) **in 2001 in MT** by country:

- France 4,600
- Germany 2,030
- UK 2,014

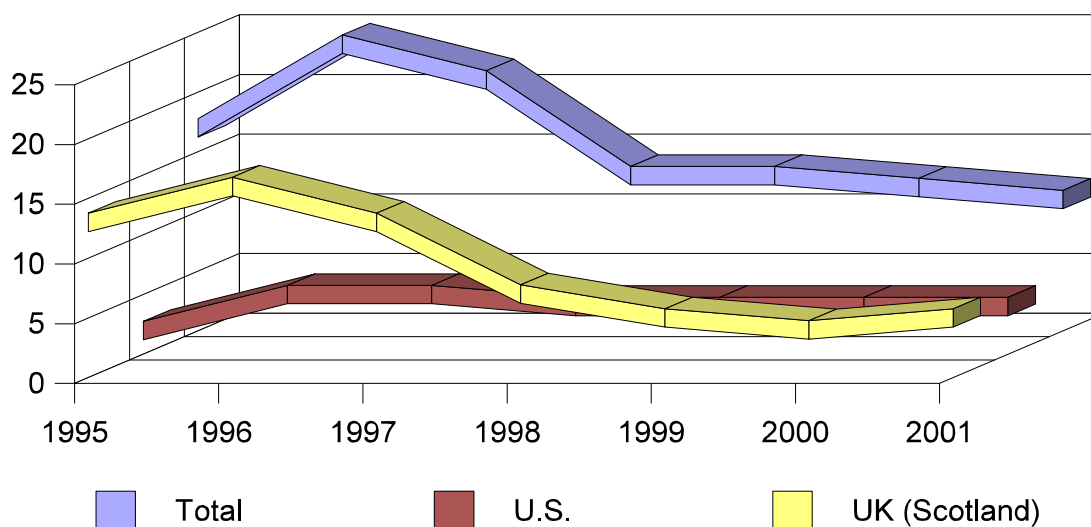
- Finland 1,480
- United States 1,380

HS 2208 Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits liqueurs and other spirituous beverages

	IMPORT				EXPORT	
	1,000 MT total	mil. \$ total	1,000 MT U.S.	mil. \$ U.S.	1,000 MT	mil. \$
1999	18	32	1.5	4.4	11	15
2000	15	28	1.6	4.3	12	16
2001	18	32	1.4	4.1	9	13

The U.S. share of total spirits imports was almost 13% last year.

Import of whiskey in \$ mil.



From the above graph it is clear that overall import of spirits is declining. This is predominantly due to the decline in Scotch whisky imports, while imports of U.S. bourbon is on the rise.

SECTION III. COSTS AND PRICES**Local Retail Prices**

Product	Vol. in liters	Retail Price in \$
<i>U.S. Bourbon</i>		
Jack Daniel's	0.75	20.3
Jack Daniel's Green Label	0.75	12.5
Four Roses	0.7	13.4
Jim Beam	0.7	14.0
RX	0.7	14.3
Kentucky Jack	0.7	6.2
<i>Scotch</i>		
Ballantine's Finest	0.7	14.2
Ballantine's Gold Seal	0.7	31.2
Grant's	0.75	13.4
Johnnie Walker Black Label	0.7	31.2
Johnnie Walker Red Label	0.7	13.4
<i>Other Spirits</i>		
Rum Bacardi	0.75	11.8
Gin Beefeater	0.7	9.90
Campari Bitter	0.7	9.90
Sierra Tequila Silver	0.7	18.7
Vodka Absolut	0.7	9.90
Vodka Finlandia	0.7	9.90
Becherovka (Czech Herb Liqueur)	0.7	8.70

Retailers add a 40- 50 percent markup on spirits, in HRI sector is goes up to hundreds of percent.

SECTION IV. MARKET ACCESS

The value added tax (VAT) on spirits is 22%. There is also an excise tax of 235 CZK/liter (\$7.40) on a 100% alcohol equivalent. E.g., the excise tax on a 0.7 liter bottle of bourbon containing 40% of alcohol would be 65.80 CZK (\$2.1).

All imports are licenced based on contracts between exporters and importers. This measure is preventing or at least significantly reducing tax fraud.

Import tariffs for 2002

Tariff No.	Description	Special Tariff in %	Preferential Tariff in %	Quota (1,000 liters)
2208 20	Spirits obtained by distilling grape wine	21.2	EU 12.5 , EFTA 12.5, Poland Q12.5, Slovenia Q10, Bulgaria Q12	Poland 200, Slovenia 50, Bulgaria 50
2208 30	Whiskies	8.5	EU 5 , EFTA 5, Poland Q5, Bulgaria Q5	Poland 200, Bulgaria 50
2208 40	Rum	12.7	EU 7.5 , EFTA 7.5, Poland Q7.5, Slovenia Q10, Bulgaria Q7.5	Poland 200, Slovenia 50, Bulgaria 50
2208 50	Gin	12.7	EU 7.5 , EFTA 7.5, Slovenia Q10, Bulgaria Q7.5	Slovenia 50, Bulgaria 50
2208 60	Vodka	56	EU Q15 , ETA 15, Hungary Q30, Poland Q28, Slovenia 20, Israel Q25	EU 8,0000, Slovenia 50, Hungary 100, Israel 100, Poland 200
2208 70	Liqueurs	56	EU 15 , ETA 15, Hungary Q15, Poland Q28, Slovenia 20, Israel Q25	Poland 200, Slovenia 50, Israel 100, Hungary 150
2208 90	Other spirits	56	EU 15 , ETA 15, Hungary Q15, Poland Q28, Slovenia 20, Israel Q25	Poland 200, Slovenia 50, Israel 100, Hungary 150

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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(Exchange rate: June 2002: 1 USD = 32 CZK)